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Kyle Gerard Nadeau

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Stock Market Simulation

An Interactive Qualifying Project Report:

Submitted to the faculty of the

Worcester Polytechnic Institute in partial

fulfillment of the requirements for

the Degree of Bachelor of Science

by

Kyle Nadeau

Date:

10 August, 2009

Approved by:

Professor Dalin Tang

Project Advisor

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Abstract

Using the internet and all that's available on the web today, an eight week stock simulation was conducted to investigate the effects of different trading strategies on outcome of investments in the stock market. The knowledge and experience received from this project would be helpful for people to become better investors in future real-life investments.

Chapter 1: Introduction

1.1 Goals of the Project:

The main goal of this project is to learn about the stock market through practice with a short-term and long-term stock market simulation. I will start short-term trading with 10 stocks that I selected over the first few weeks. I have also selected 2 stocks which I will trade in a long-term method over the next 8-week period. After investing in the selected stocks, I will be able to analyze the simulation and make conclusions based on my performance. I am beginning with \$200,000, and then will scope over my profits and losses to understand which methods work best. Starting in Chapter 1, I will explain the history of the stock market and who is involved with it. In the following chapters I will show my results of the simulation and discuss them. I will conclude the simulation in the final chapter, which will cover all results and what I learned during the 8-week period.

1.2 History of the Stock Market:

The stock market is a trading place where bonds and stocks can be traded, usually to gain some type of income. Basically, a stock is a piece of a company or business. These businesses and companies are split up into equal parts, which can be purchased on the stock exchange. On most occasions, at least 51% of shares are held by one person or group while the remaining 49% are constantly traded. On the other hand, a bond is a government issued certificate that sets an agreed upon pay back date [4].

The market is not open to everyone. Only members of an owning association are open to NYSE. These members, called stockbrokers, are the only allowed persons to trade directly.

Buying and selling through the use of a stockbroker is allowed for the general public. The New York Stock Exchange (NYSE) is the main market in the United States and has been opened since 1792 [4].

1.3 NYSE:

The main method of purchasing stocks in the NYSE is done by people on the floor in New York City. These stock prices in the NYSE are based upon the supply and demand of each individual stock.

1.4 How to Invest in NYSE:

The four big terms in the NYSE are stocks, shares, equities, and funds. Understanding these terms and their meanings is important for making intelligent decisions as an investor. The basic way to invest is through stocks. Stocks are bought and sold in shares. Being a shareholder, you own a small % in a company. Using these stocks, you can make money in two different ways. First is with dividends and second is by capital gain. A dividend is a check that shareholders receive quarterly throughout the year, as their share of the company's gains. Capital gains occur when an investor sells their shares for more than the original price bought [3].

1.5 Plus and Minuses of Investing:

The stock market is a money making opportunity. It allows for money to be made by anyone, but also can be dangerous. It is a complicated market with no required rules or methods to follow when trading stocks. Knowing certain strategies and understanding which ones are good creates better money making chances.

Chapter 2: Trading on the Stock Market

2.1 Overview of the Chosen companies:

All twelve of the selected stocks are in the common stock categories. The first company is D.R. Horton Inc. (DHI) coming from Fort Worth, Texas. D.R. Horton is in the home construction industry and is a homebuilding company. Next would be the International Paper Co. (IP) which is located in Memphis, Tennessee. IP is a global packaging and paper company, with primary markets in North America, Europe, Latin America, Russia, Asia, and North Africa. Macy's Inc. (M) is a retail company that operates stores as well as internet websites called Macy's or Bloomingdale's. The main headquarters for Macy's is in Cincinnati, Ohio. Goodyear Tire & Rubber Co. (GT) is a tire manufacturing company out of Akron, Ohio. The Office Depot Inc. (ODP) is a worldwide supplier of office services and products. Next is Callaway Golf Company (ELY) which runs out of Carlsbad, Ca. The company manufactures and sells golf clubs and balls. Davita, Inc. (DVA) is a dialysis service provider for patients suffering from chronic kidney failure. DVA's main headquarters is in El Segundo, Ca. Another company selected was Kellogg Company (K). Kellogg is a cereal and convenience food supplier out of Battle Creek Mi. From Philadelphia, Pa, is the CIGNA Corporation (CI). CI is an investor owned health service organization in the United States. Ruby Tuesday, Inc. (RT) is a bar and grill casual dining business. They originate out of Maryville, Tn. The J.C. Penney Company Inc. (JCP) is located in Plano, Texas. This company is a retailer with department stores nationwide. Lastly, Abercrombie & Fitch (ANF) is an apparel retailer company that also operates stores and websites, with their main location in New Albany, Ohio [2].

2.2 Strategies and goals:

Entering into the project, I was vaguely familiar with the stock market. Seeing how we are currently in a recession, my research led me to strategize my investment choices in the retail clothing and tire industry. I set a few goals for myself as well, one being that I at least break-even in terms of money gained or lost. The other main goal was that I would trade up to 3 stocks throughout the project period. I decided to be fairly aggressive hoping to make some serious money. The most important goal of mine is to gain knowledge of the NYSE and trading stocks in general.

Chapter 3: Short Term Trading Method

3.1 Goals of the Simulation:

My biggest concern and what I wish to do most is gain profit during this simulation. I wish to gain as much profit as possible, and breaking even would be the worst outcome I would accept. I also want to receive an educated experience with the stock market, which might help me in the future.

In the rest of the chapter, I will discuss the short term trading method. I am beginning with an overview of some stocks that we selected. Also, documents of my trades in the market will be shown along with my profits and losses. A summary for the simulation will conclude the chapter.

3.2 History of Short Term Trading:

Short term market trading has a very positive history. With short term trading, a buyer can purchase any amount of stocks and keep them for no longer than a couple of days. The market being particularly well or not doesn't factor into losing a bunch of money. From my research, there has never been a short term trade that brought an overall negative result. There is a great chance of making good money using this method. No tricks or special techniques are used with this method, and success is easily attainable. It is not a complicated method, which is why I'm confident this method will gain me profit [4].

3.3 Company Profile:

3.3.1 International Paper

I chose International Paper as one of my stocks to trade. I chose this stock knowing, even in this horrible economy, demand for paper is a necessity today in the world. Another reason for this selection was I wanted to analyze the outcome of my investment in this market.

International Paper is controlled by the chairman and CEO John V. Faraci as well as the CIO and senior vice president John N. Balboni. It's one of the most popular paper companies in the world, with markets and manufacturing operations widely spread from North America, Latin America, and Europe to even further places in Asia and Russia. As of December, 2007, International Paper operated 16 pulp, paper, and packaging mills, 85 packaging and converting plants as well as 4 wood products facilities in the United States. IP supports the communities in which its employees live and work. Since 1995 the company has awarded more than 50\$ million dollars worth of grants. They also have 46 other converting and packaging plants worldwide. International Paper owned or managed about 300,000 acres of forest land in the United States and around 250,000 acres in Brazil. The company had sales in 2007 of \$22 billion and was ranked number 93 among Fortune 500 companies. It has been number one in the forest products sector for the last 6 out of 7 years. Also, the company does as best as possible with preserving the forests, having had a long standing policy of using no wood from endangered forests.



Figure 3.1: Overview of International Paper stock over the past year.

3.3.2 D. R. Horton

Another stock I chose was D.R. Horton Inc. Donald R. Horton is the chairman of the company. The vice chairman and CEO is Donald J. Tomnitz. There are divisions operated in 27 states in the United States. Selecting this company in today's market seems risky. But if a house selling company was going to survive, it'd be D.R. Horton Inc.

The company's signature focus is to create value in every step of creating houses. The first neighborhood ever built for Horton was in the Dallas, Texas area. The company continued to grow ultimately into the largest homebuilder in the States. Over the last 30 years, D.R. Horton has delivered more than 350,000 homes. For each of the past 7 years, they have sold more homes to customers than any other homebuilding company in the United States. Their equity as of March 2009 was \$2.6 billion, which was among the highest of public homebuilders. D.R.

Horton's cash balance as of March 2009 was \$1.5 billion, also a top performer among public homebuilders.



Figure 3.2: Overview of D.R. Horton Inc. stock over the past year.

3.3.3 Goodyear Tire & Rubber Company

The third stock I chose for the short term method was Goodyear Tire & Rubber Co. The company develops, manufactures, markets and distributes tires for applications. They also manufacture and market rubber related chemicals.

Goodyear was founded in 1898 by a man named Frank Seiberling. He purchased the company's first plant with a 3,500 dollar down payment. The man the company is named after, Charles Goodyear, died as a poor man 30 years before the start of the business. He was the person who discovered vulcanization after a long stressful search.

As the early 1890's bicycle craze boomed, the automobile was a wide open challenge. The 1893 depression was fading, and on August 29, 1898, Goodyear was incorporated with a capital stock of \$100,000 dollars. David Hill became the first president of the company after purchasing \$30,000 dollars worth of the stock.

Today, the chairman, CEO, and president of Goodyear is Robert J. Kramer. They now manufacture their products in 61 different facilities in 25 countries. As of December, 2008, Goodyear operates its business through four segments: North American Tire; Europe, Middle East, and Africa Tire; Latin America Tire; and Asia Pacific Tire. Adding to that, Goodyear operates more than 1,600 tire and auto service center outlets for retail sales and automotive repairs and services. The company measures sales of approximately \$20 million dollars.



Figure 3.3: Overview of Goodyear Tire the past year.

3.3.4 Macy's Inc.

The fourth stock I selected was Macy's Inc. Macy's sells a range of merchandise, mainly clothes and home furnishings. The stores are located in 45 states as well as Guam and Puerto Rico.

On November 25, 1929, Abraham & Straus, Filene's, F&R Lazarus, and Bloomingdale's joined together. They all agreed to maintain their separate identities but link together their financial interests. Fred Lazarus, a retailing legend and president of F&R Lazarus came up with one of the best ideas of his time. In 1939, he realized that Thanksgiving fell on the last day of November. This meant there were fewer shopping days during the holiday period including Thanksgiving and Christmas. So Lazarus proposed a solution to President Roosevelt that would push Thanksgiving up to the fourth Thursday in November. President Roosevelt supported this proposition, and within two years Congress passed the proposition into a law.

It was recently renamed to Macy's Inc. in 2007. Today, the chairman, president, and CEO of the company is Terry J. Lundgren. Macy's stores are in 63 of the top 65 markets in the United States. Their 2008 sales accounted for \$24.9 billion dollars. They operate more than 800 department stores in those 45 states previously mentioned, as well as 40 Bloomingdale stores in 12 states. Macy's is one of the nation's most successful retail institutions. The company continues to prosper by adapting to new times and demands in this ever changing society.



Figure 3.4: Overview of Macy's during past year.

3.3.5 Office Depot, Inc.

The fifth short term stock I selected was Office Depot Inc. The company is a global supplier of office products and services. The company is broken up into three business segments: North American Retail Division; North American Business Solutions Division; and International Division.

Office Depot was first founded in 1986, with its first store opening in Fort Lauderdale, Florida. In 1987, David Fuente was named the CEO and chairman of the company. He made Office Depot public the following year. David along with an executive team planned to expand the store in U.S. markets, and they were successful. By 1990, they compiled 173 stores in 27 states.

Now, Steve Odland has taken over the CEO and chairman position in the company. In 2008, Office Depot sold \$14.5 billion worth of products and services. Office Depot is taking care of business for millions of customers daily around the globe. The company provides products and services to its customers through more than 1,600 retail stores worldwide.



Figure 3.5: Overview of Office Depot Inc. through the past year.

3.3.6 Callaway Golf Company

A sixth company I chose was Callaway Golf Company. Callaway's main products are selling golf clubs and golf balls. They also have golf bags, gloves, footwear, headwear, eyewear, and towels for sale. Callaway mainly sells its products to golf retailers, including pro shops at numerous golf courses. They also have a website where you can purchase pre-owned products.

Callaway Golf Company was established in 1982 by a man named Ely Callaway. Ely's philosophy was to have the best sales employees selling the best products, and in return receive the best customer service in the industry. He believed in hiring the best thinkers to use today's technology to be better than the competition.

Today, Callaway has helped millions of golfers over the past 25 years experience a great feeling when playing golf with their products. The company searches for new ways to improve their products to make them top of the line items. In the 2008 fiscal year, Callaway made a net sale of \$1.12 billion dollars. This came close to matching 2007 record setting net sales, even with this past year's economy problems. Also increasing from 2007 was the company's net earnings.



Figure 3.6: Overview of Callaway Golf Company from the past year.

3.3.7 Davita, Inc.

Davita Inc. is another company I chose to invest into. This company serves patients with end stage renal disease (ESRD) throughout the United States. Last year, the company operated administrative services to 1,449 outpatient dialysis centers in 43 states, serving about 112,000 patients. They also provide inpatient dialysis in approximately 700 hospitals around the country. Davita also gives ancillary services such as infusion therapy, pharmacy services, vascular access services, disease management services, and special needs plans.

The business's CEO and chairman is Kent Thiry, who started the company in 1995. The company's mission is to become the greatest dialysis business the world has ever seen. They strive to serve others, which is their reason for existing. Davita uses a systematic approach to continuously improve their status, never settling.

Over the past four years (2006-2009), Davita received the Fortune magazine award for the World's Most Admired Companies. Davita is ranked top in health care medical facility and innovation, investment, and quality. They are also currently ranked number two in the entire health care medical facilities category.



Figure 3.7: Overview of Davita Inc. from the past year.

3.3.8 Kellogg Company

Another company I selected was the Kellogg Company. Kellogg is mainly engaged in manufacturing and marketing ready to eat cereal and convenience goods. As of last year, Kellogg manufactured these goods in 19 countries and marketed them in more than 180 countries. The company uses broker and distribution arrangements for some products.

Kellogg was founded in 1906 by a man named W.K. Kellogg. The company began with 44 employees in Battle Creek, Michigan. The company started off by being a small manufacturer and marketer, and eventually grew to what they are today. The company celebrated its 100th anniversary in 2006. Kellogg takes pride in retaining many of the values Mr. Kellogg brought to the company.

Today, Kellogg's Chairman of the Board is James M. Jenness. Jenness is assisted by the President and CEO David Mackay. As previously mentioned, Kellogg began with 44 employees,

but now employs 32,000 people. Year by year the company makes breakfast snacks for millions. In 2008, Kellogg netted in sales more than \$12.8 million dollars. Although the economy was down this past year, Kellogg increased in net sales from 2007.



Figure 3.8: Overview of Kellogg stock this past year.

3.3.9 Cigna Corporation

CIGNA Corporation is the next company I picked. The company is an investor owned health service organization in the United States. CIGNA's subsidiaries provide healthcare and other health related benefits, mainly through the workplace. The company's revenues derive from premiums, fees, mail order pharmacy, investment income, and other revenues. CIGNA operates themselves in 5 business segments. Among the five are healthcare, Disability and Life, and run-off reinsurance.

CIGNA was established in 1792 by a group of prominent citizens, and began with the name Insurance Company of North America (INA). INA, or CIGNA, has always been true to the community and their customers. When the Great Chicago fire burnt for two days and left 100,000 people homeless, INA paid their claims back in full. The total claim was \$650,000 dollars.

In 1982, CIGNA was introduced as the new company name. Today, the company's Chairman and CEO is H. Edward Hanway. CIGNA's President and COO is David M. Cordani. In the fiscal 2008 year, CIGNA made \$292 million dollars in net income, which is significantly down for 2007, mainly due to economic issues.



Figure 3.9: Overview of CIGNA Company from last year.

3.3.10 Ruby Tuesday, Inc.

The final company selected is Ruby Tuesday, Inc. (RBI). RBI owns and operates the Ruby Tuesday grill and bar restaurants. Ruby Tuesday's are all over the United States. As of 2008, the company operated 721 casual dining restaurants, located in 28 different states. Also, the franchise partnerships operated 122 more restaurants while traditional franchisees ran 48 domestic and 54 international restaurants.

Ruby Tuesday first opened up in 1972 because of Sandy Beall. He believed that fresh, handcrafted foods and drinks could generate great business. The first store opened near the University of Tennessee campus. Ruby Tuesday grew into becoming part of a large public foodservice company in 1982, and in 1996 became its own independent, publicly traded company.

Now, Ruby Tuesday Inc. has over 900 company-owned and franchised restaurants. They have more than 50,000 corporate and franchise team members, and operate throughout the U.S. and the world. Operating the business is the President, Chairman of the Board, and CEO of the company, Sandy Beall.



Figure 3.10: Overview of Ruby Tuesday Inc. over the past year.

3.4 Trades:

3.4.1 Week 1 Trading

I started my trading process June 1, 2009. I purchased 3,420 shares of IP stock and 5,371 shares of DHI stock. Not including the commission fee, I put about \$50,000 dollars into each stock. I decided to use the short term method, trading the stocks when I saw that it gained some profit. When I sold the 3,422 shares of IP stock, I profited a total of \$4,244 dollars. And after selling 5,371 shares of the DHI stock, I gained a total of \$2,739 dollars as illustrated in table 3.1.

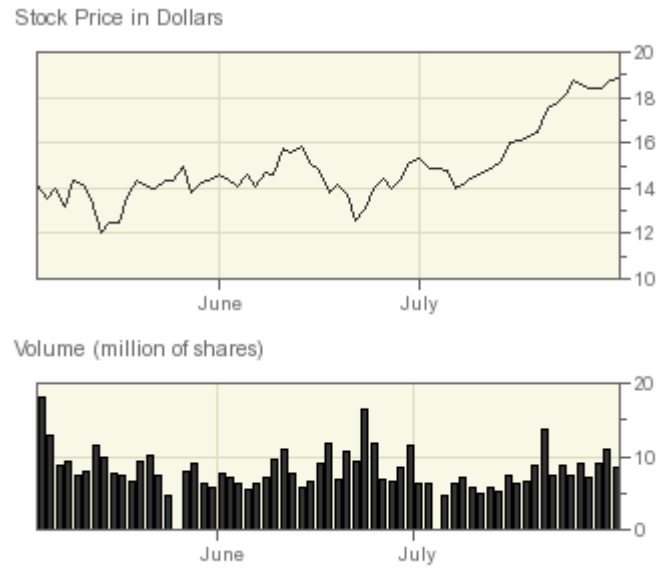


Figure 3.11: Overview of IP stock from May-July 2009



Figure 3.12: Overview of DHI stock from May-July 2009.

Date	Symbol	Buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
06/1/09							100,000	
06/1/09	IP	Buy	\$14.61	3,420	\$49,976		50,024	
06/1/09	DHI	Buy	\$9.31	5,371	\$50,014		10	
06/10/09	IP	Sell	\$15.85	3,420	\$54,197	4,221	54,207	4,221
06/10/09	DHI	Sell	\$9.82	5,371	\$52,733	2,719	106,940	6,940

Table 3.1: Week one trading records.

3.4.2 Week Two Trading

Entering the second week of trading, I bought 4,105 shares of the M stock along and 3,891 shares of GT stock as seen in table 3.2. I put the same amount of money into these two stocks as I did with the previous two, which was roughly around \$50,000 dollars. After five days, both of these stocks were dropping. I let them sit in the market for a little while, to see if the stocks would start gaining money. They didn't, so I sold both M and GT after two and a half weeks. My M shares gave me a loss of \$2,463 dollars while GT gave me a loss of \$4,708 dollars. These two losses are showed in table 3.3.



Figure 3.13: Overview of M stock from May-July 2009.



Figure 3.14: Overview of GT stock from May-July 2009.

Date	Symbol	Buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
06/11/09	M	Buy	\$12.18	4,105	\$50,009		56,931	
06/11/09	GT	Buy	\$12.85	3,891	\$50,009		6,922	

Table 3.2: Week two stock purchases

3.4.3 Week Four Trading

I purchased 12,195 shares of ODP on June 29, 2009. I invested approximately \$50,000 dollars into this stock as well. Buying these shares seemed to be a good decision. My shares price increased over 11% from the time I purchased them, so I sold the shares. I made a profit of \$5,487 dollars from my shares of ODP.



Figure 3.15: Overview of ODP stock from May-July 2009.

Date	Symbol	Buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
06/24/09	M	sell	\$11.58	4,105	47,526	(2,483)	45,448	4,457
06/26/09	GT	Sell	\$11.64	3,891	45,281	(4,728)	99,729	(271)
06/29/09	ODP	Buy	\$4.10	12,195	50,010		49,719	

Table 3.3: Week four trading records.

3.4.4 Week Five Trading

During this week, I bought 3,984 shares of Callaway stock on July 6, 2009. I invested about \$20,000 dollars into this stock. The stock continually rose or stayed even the first couple days of my investment, and after a few days of over viewing I sold it high for a profit of \$1,892 dollars. Another stock I purchased on July 7, 2009 was DVA. I bought 400 shares of DVA stock which totaled about \$20,000 dollars worth. Reviewing the stock over the next week, no great amount of movement up or down occurred during this time. The stock was down from when I bought it, and before plummeting even more, I sold the stock on July 17, 2009. I ended up losing \$850 dollars in this investment. These two companies trading transactions are recorded in tables 3.4 and 3.5 respectively.



Figure 3.16: Overview of ELY stock from May-July 2009.

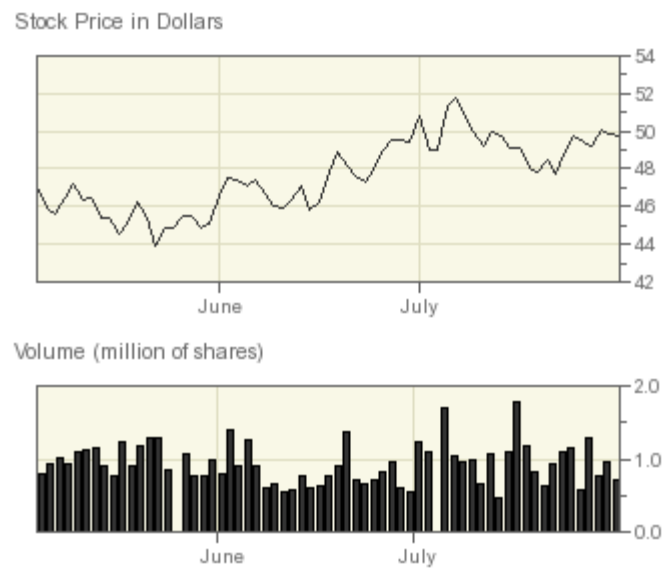


Figure 3.17: Overview of DVA stock from May-July 2009.

Date	Symbol	Buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
07/6/09	ELY	Buy	\$5.02	3,984	\$20,010		29,709	
07/8/09	DVA	Buy	\$51.30	400	\$20,530		9,179	

Table 3.4: Week five stock purchases.

3.4.5 Week Six Trading:

For the sixth week, I invested into three more stocks. The three stocks consist of Kellogg Co., CIGNA Corp., and Ruby Tuesday.

Kellogg Co. was bought on July 10, 2009. I invested \$40,000 dollars into Kellogg's stock. The stock grew over the next week, and I ended up selling it for a profit of \$1,327 dollars. The stock had been going up a little bit, but sometimes would stay the same for a few days. After it was not increasing for a few straight days, I decided to sell it before more profit was lost.

CIGNA Corporation had been purchased on July 14, 2009. Roughly \$40,000 dollars was invested into CIGNA stock, accounting for 1,650 shares. The stock had been growing higher over the next couple days, and with a solid gain in money I decided to sell the stock high. I profited \$1,881 dollars from it, taking a total of 9 days.

Ruby Tuesday wasn't bought until July 17, 2009. My investment of \$37,000 dollars into the Ruby Tuesday stock ended a week later, totaling me with \$840 dollars in profit. During the entire week this stock fluctuated up and down constantly, and before ending up with zero or a loss in money, I decided to sell it.

All three of these stocks' trading records are shown in table 3.5.

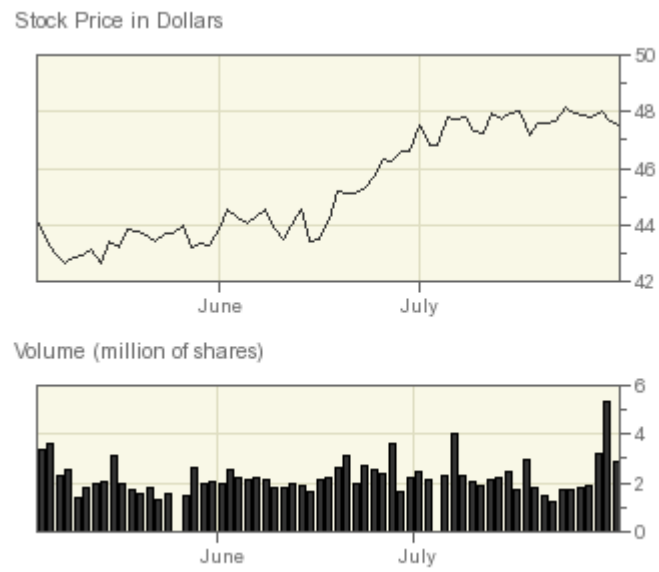


Figure 3.18: Overview of K stock from May-July 2009.



Figure 3.19: Overview of CI stock from May-July 2009.



Figure 3.20: Overview of RT stock from May-July 2009.

Date	Symbol	buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
07/10/09	ODP	Sell	\$4.55	12,195	55,497	5,487	64,676	5,216
07/14/09	K	Buy	\$46.50	860	40,000		24,676	
07/14/09	ELY	Sell	\$5.50	3,984	21,902	1,892	46,578	7,108
07/14/09	CI	Buy	\$24.16	1,650	39,874		6,704	
07/17/09	K	Sell	\$48.05	860	41,333	1,333	48,037	8,441
07/17/09	DVA	Sell	\$49.20	400	19,670	(860)	67,707	7,581
07/17/09	RT	Buy	\$7.40	5,000	37,010		30,697	
07/23/09	CI	Sell	\$25.30	1,650	41,755	1,881	72,452	9,462
07/24/09	RT	Sell	\$7.57	5,000	37,860	850	110,312	10,312

Table 3.5: Week six trading records.

3.5 Results and Conclusions:

Mainly, conclusions for any type of stock market simulation can be built around the actual numbers. Any profit gained during the simulation, either individually or as a whole, can show the results of the simulation. Concluding whether investments were successes or failures should be determined by comparing the numbers with prior set goals.

Date	Symbol	Buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
06/1/09							100,000	
06/1/09	IP	Buy	\$14.61	3,420	\$49,976		50,024	
6/10/09	IP	Sell	\$15.85	3,420	\$54,197	4,221	104,221	4,221
6/1/09	DHI	Buy	\$9.31	5,371	\$50,014		54,207	
6/10/09	DHI	Sell	\$9.82	5,371	\$52,733	2,719	106,940	6,940
6/11/09	M	Buy	\$12.18	4,105	\$50,009		56,931	
6/24/09	M	Sell	\$11.58	4,105	\$47,526	-2,483	104,457	4,457
6/11/09	GT	Buy	\$12.85	3,891	\$50,009		54,448	
6/26/09	GT	Sell	\$11.64	3,891	\$45,281	-4,728	99,729	-271
6/29/09	ODP	Buy	\$4.10	12,195	\$50,010		49,719	
7/10/09	ODP	Sell	\$4.55	12,195	\$55,497	5,487	105,216	5,216
7/6/09	ELY	Buy	\$5.02	3,984	\$20,010		85,206	
7/14/09	ELY	Sell	\$5.50	3,984	\$21,902	1,892	107,108	7,108
7/8/09	DVA	Buy	\$51.30	400	\$20,530		86,578	
7/17/09	DVA	Sell	\$49.20	400	\$19,670	-860	106,248	6,248
7/14/09	K	Buy	\$46.50	860	\$40,000		66,248	
7/17/09	K	Sell	\$48.05	860	\$41,333	1,333	107,581	7,581
7/14/09	CI	Buy	\$24.16	1,650	\$39,874		67,707	
7/23/09	CI	Sell	\$25.30	1,650	\$41,755	1,881	109,462	9,462
7/17/09	RT	Buy	\$7.40	5,000	\$37,010		72,452	
7/24/09	RT	Sell	\$7.57	5,000	\$37,860	850	110,312	10,312

Table 3.6: Overall short term trading records.

As for concluding my strategic results, I ended up seeing what I could've done to better during investment. The first issue was I had decided to keep the M and GT stocks for too long. These two stocks had been losing money right when I first bought them, so I decided to try and wait it out to see if I could get anything from them. But I was wrong with those investments. I let them stay in the market too long, and I decided to sell them eventually, with a loss \$2,483 dollars with my 4,105 shares of M and \$4,728 dollars with my 3,891 shares of GT.

My greatest profit from one stock came when I bought ODP shares. I had purchased 12,195 shares of ODP. From the day I bought it, ODP stock went soaring up and handed me a great profit of \$5,487 dollars. Also, my 3,420 shares of the IP stock did well. The IP stock gave me a profit of \$4,221 dollars, which was a solid profit to start off my trading.

The majority of my trades have ended up pretty well. By reviewing and watching the market daily, I can research and select stocks knowing if they are on an upward trend or not, etc. And for the stocks that didn't gain profit, I had sold them before too much damage was done. This strategy has been working well and I plan to continue using it.

I have learned many things from using the short term method during this simulation. It was interesting and exciting to see how different stocks operated in the market during these times. You can tell for some stocks, like IP and ODP, that if you put any money into them then you're basically guaranteed a profit gain. It seemed as if you would gain some profit, no matter what. On the other hand, some stocks seemed to not be able to grow at all. These stocks for me would be like my GT, M, and DVA investments. And you then have the middle portion of stocks. These stocks can be taken a chance on, and sometimes would be considered a great investment. All together, in the end, I made a total of \$10,312 dollars from my simulation. It

came out to be roughly a ten percent increase from my simulation. It's not great, but it is not bad considering I have never traded previously or dealt with anything of the sort.

It would also be interesting to see what my simulation would've looked like if my trading had been done in a different year. I wonder if the profits or losses would end up different in a different economy. Maybe investing would be easier in a couple of years because of the depression we just went through. Or is now the time to start investing when everything could possibly be on the rise up.

Overall, if people have the time daily to check the stock market on a regular basis, have some knowledge about trading, and are interested in making money, this method would be profitable for them. The short term method takes some patience, a lot of time, and some consideration. I learned a great amount using this method, and I am happy I got a chance to understand how it works. I would recommend trying this method when trading stocks in the market. It proved profitable to me, and it could for others too.

Chapter 4: Long Term Trading Methods

4.1 Goals of Simulation:

My main focus during this simulation is to earn positive profit combined with learning about the stock market. I want to be capable of investing in the future, so learning how the stock market works and operates is necessary. Also, being able to use websites that help you keep track of stocks is something interesting to know. Lastly, I am trying to make this simulation as competitive as possible, which pushes me to make money.

Continuing in the chapter, I will be writing information on long term trading. I will also discuss the two companies I chose with background information, and finish off with trades and a few graphs.

4.2 Long Term Trading:

Using the long term trading method is not complicated. Long term stock trading is a simple method, basically investing money into money-making companies. You search for a stock which is consistently gaining profit over long periods of time. On the other hand, you don't want to invest quickly and just hand over your money. Researching and understanding the company you're dealing with is essential. Timing is also something that should be considered before investing. Knowing which time of the year it is, and what's going on in the world is important too. Maybe you would invest in a toy company during holiday season, or not invest into the automobile market this year.

An advantage of long term trading is that you'll make fewer mistakes. There is way less decision making involved, and only the investigated stock is your choice. Long term trading

users aren't concerned with scanning over their stocks daily. They're more apt to look every once in awhile, usually because the confidence they put in the stock market. People may believe the market will turn around if it's dropping, or they trust their stock selection. Either way, they expect to make more money than they put in originally [4].

4.3 Company Profile:

4.3.1 J.C. Penney Company Inc.

The first company I selected to invest into using the long term trading strategy was J.C. Penney. The company is a retailing company, operating 1,093 J.C. Penney department stores in 49 states. JCP sells family apparel and footwear as well as many other accessories. They also provide services with things like custom decorating or portrait photography. Their main headquarters is run in Plano, Texas.

James Cash Penney opened up what was called, "The Golden Rule", in 1902. James opened the business up in Kemmerer, Wyoming, and mainly sold dry goods and clothing. Forty-nine years later, in 1951, the store sales exceeded \$1 billion dollars for the first time. The company has continually grown over the years, and has been successful for the last 100 years.

Today, J.C. Penney is led by their Chairman and CEO, Myron E. Ullman, III. Ken C. Hicks serves as the President of the company as well. JCP's number of associates reached over 150,000 as of last year, and the company's 2008 revenue was greater than \$18.5 billion dollars. The company was named one of Fortune magazine's top 5 'Most Admired' general merchandisers along with 2008 Energy Star retail partner of the year [1].



Figure 4.1: Overview of JCP over the last year.

4.3.2 Abercrombie & Fitch

A&F Co. operates stores and websites through its subsidiaries. The company sells all different clothing materials, and accessories for all ages. The four brands used by the company are Abercrombie & Fitch, Abercrombie, Hollister, and RUEHL. A&F also own websites and sells women's underwear and at home products under the Gilly Hicks brand name. As of last year, the company had a total of 1,125 stores within the United States, Canada, and United Kingdom.

David Abercrombie established the company as Abercrombie Co. in 1892 as a sporting goods store. In 1902, he is joined by a partner, Ezra Fitch. They both agreed to change the company name to Abercrombie & Fitch in 1904. A&F became among the elite outfit selling companies as early as the 1920's. It wasn't until the 1950's that A&F open stores nationwide. But, between 1976-78, A&F suffered a financial decline and declared bankruptcy and closed

doors. Limited Brands purchased A&F in 1988, and are reestablished as a youth fashion retailer. Mike Jeffries was named President of the company.

Today, Michael Jeffries is the Chairman and CEO of A&F. He has been at this position since 1990. Diane Chang holds the Executive Vice President position in the company. A&F totaled over \$3.5 billion dollars in the 2008 fiscal year. The company estimates their total expenditures for 2009 to be between \$165-\$175 million dollars. They also plan on closing all Ruehl No. 925 stores this year and eliminate the brand by 2010 [1].



Figure 4.2: Overview of A&F of the past year.

4.4 Trades:

The two stocks I chose to invest long term were J.C. Penney and Abercrombie & Fitch. I ended up investing \$50,000 dollars into each stock. One of my stocks ended up doing well using

this long term strategy, but I wasn't so lucky with the other stock I chose. Both of these stocks had been purchased on June 1, 2009 and sold them both on July 24, 2009. My 1,872 shares of JCP gained me some profit, but the 1,610 shares of ANH didn't do well.

4.5 Results and Conclusions:

In the end of the simulation, I did fair with my long term trading strategy. I did come out with a net gain of \$857 dollars, which was a little pleasing. It was disappointing I didn't receive a large profit, but not losing money is always a good thing. Overall the long term technique is not one that I would use over a two month simulation. It is too short of a time period to be successful, and it would benefit more a person that has unlimited time in the market.

The following is a table to show the activities that took place during the long term trading simulation. On the table is the company symbol, price, amount of money, and whether I bought or sold the shares I had in the company.

Date	Symbol	Buy/ Sell	Price	Shares	Net Cost/ Proceeds	Profit/ Loss	Total Cash	Total Profit
06/1/09							100,000	
06/1/09	JCP	Buy	\$26.71	1,872	\$50,011		49,989	
07/24/09	JCP	Sell	\$29.65	1,872	\$55,495	5,484	105,484	5,484
06/1/09	ANH	Buy	\$30.96	1,610	\$49,856		55,628	
07/24/09	ANH	Sell	\$28.10	1,610	\$45,231	(4,625)	100,859	859.00

Table 4.1: Long term trading activity.

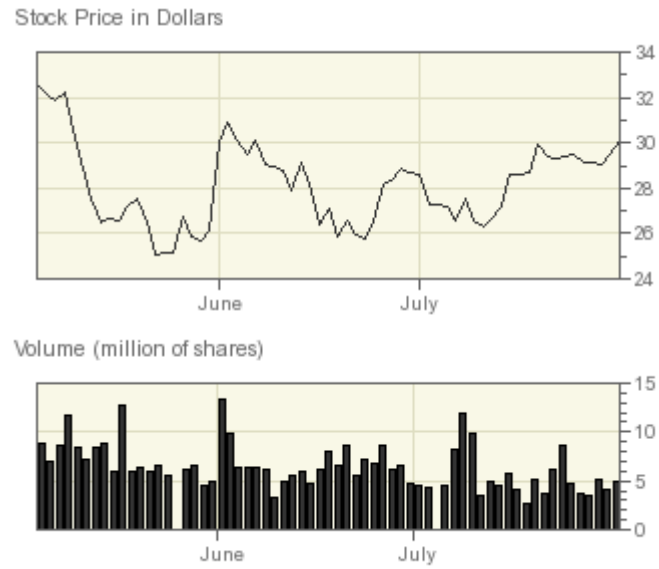


Figure 4.3: Overview of JCP stock from May-July 2009.



Figure 4.4: Overview of ANF stock from May-July 2009.

Chapter 5: Conclusion

5.1 Did I meet my goals?

Prior to the simulation, I set up personal goals for the project that I believed were challenging but reachable. My goals were to have a successful simulation, ending up with a profit, and to compare between the two different trading methods I experimented with. I wanted to also know which method would earn me the most money, or which one takes dedication. Making these personal goals pushes me to try and be the best at what I'm doing.

I feel that I had a fairly successful simulation. I learned so much about trading in the stock market and about the NYSE. It was interesting researching the stocks and then learning how to trade them. When it came to comparing the short and long term methods, the short term trading did the best over my simulation period. The short method gained me a little greater than 10% profit throughout the course of trading. It seemed like a money-making method, but having such a short period of time to make money benefits the short term rather than long term method. With the NYSE being down 9.1% over my simulation period, making a profit is satisfying. As for the long term trading, this method didn't do well. The poor results are most likely due to the short 8 week period of time I had to trade. The stocks need to be held longer than 8 weeks for this method to be successful.

5.2 Profit or loss on investments?

With the NASDAQ and NYSE being down more than 8% each, having profit is always satisfying. The profit under the short term trading method and long term trading method ended up with a total profit of \$11,171 dollars. Most of the profit came from the short term method, which totaled \$10,312 dollars. The small portion totaling \$859 dollars came from the long term method. It's clear to see the importance of having an unlimited amount of time to work with when using the long term method. Not being experienced might hinder people to a certain extent, but ending with a profit is what was aimed for.

The short term profit wasn't a disappointment, but is very capable of achieving more money. Some of the short term stocks gained a bunch of profit, but were countered by other stock losses. When investing, reviewing the companies that are going to be invested in is a definite if you want to consistently gain money. Knowing the back rounds of these companies creates a sort of bond between the investor and the company, which provides confidence that money will be made.

There was no overall loss between the two methods, but the long term profited only \$859 dollars. As mentioned earlier, a bigger profit will likely be attainable if more time is given to trade long term. Trading daily, like with the short term method, is a faster more efficient way to make money in a short period. The long term method ended up with a profit, but it didn't achieve the goal that was set.

<u>Method</u>	<u>Profit</u>	<u>Percentages</u>
Short Term Trading	\$10,312.00	10.3%
Long Term Trading	\$859.00	0.859%

5.3 Summary of IQP experience:

Overall my project ended up being a great learning experience. As previously mentioned, I learned about the market and how it functions. I am seriously considering investing into stocks in the near future. This experience will benefit me greatly. I hope to use what I've learned from this project to make some money investing.

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